HOUSING MARKET INFORMATION

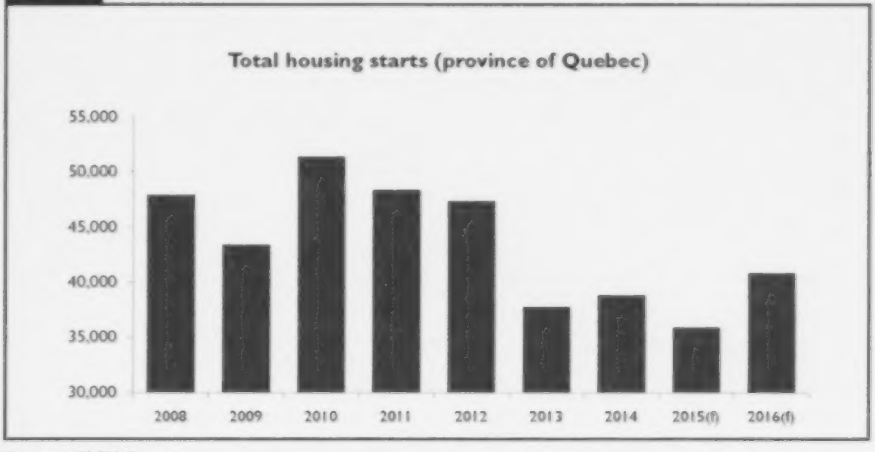
HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Second Quarter 2015

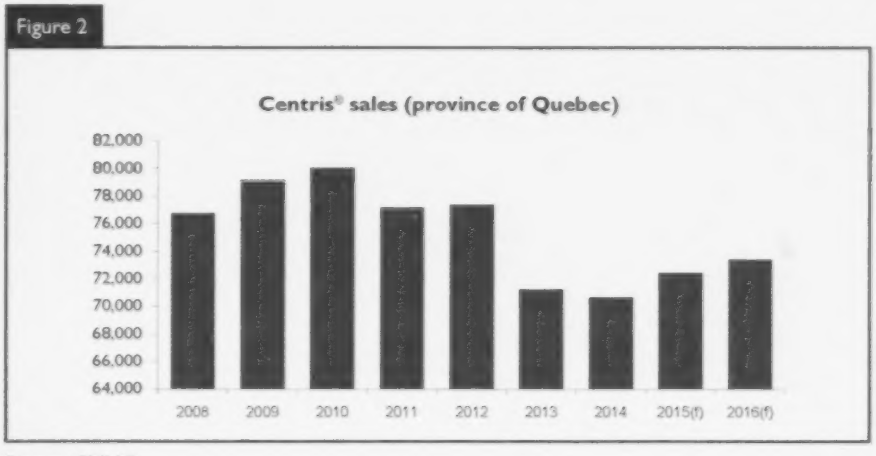
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: CMHC

Overview

A gradual acceleration of Quebec's economic growth over the next two years will provide some stimulus to housing demand in 2015 and 2016. During this period, resale markets will tighten somewhat, eventually translating into higher levels of housing starts. The progressive increase of demand will lead to price growth of between 1.5 per cent and 2.5 per cent during the forecast horizon.

In the next two years, economic growth will stem from consumer spending and net exports. Meanwhile, private investment and public expenditure growth will be limited by the decline of the Canadian dollar and by balanced budget objectives respectively. Thus, following growth of 1.5 per cent in 2014, Quebec GDP will increase within the 1.7 and 2.1 per cent range in 2015 and within the 1.8 and 2.2 per cent range in 2016. The impact on labour markets will be felt more substantially at the end of 2015. As a result, employment will grow at a rate of between 0.6 per cent and 1.2 per cent in 2015 and between 1.0 per cent and 1.4 per cent in 2016.

During this period, the unemployment rate will rise slightly from the 7.7 per cent recorded in 2014.

The moderate employment recovery and the relative weakening of labour markets in most of western Canada will help retain workers in the province. Moreover, with the help of rising immigration, total net migration this year will likely fall within the range of 41,000 to 43,000 persons and within the range of 44,000 to 46,000 persons in 2016. Such levels will have a positive impact on demand in Quebec's rental markets.

In Detail

Single Starts: In the next two years, demand for new single detached homes will be influenced by moderate employment growth and the tightening of the resale market. Housing starts in this market segment will be situated within the 10,500 and 11,900 range in 2015 and within the 12,000 and 14,000 range in the following year. As the resale market tightens, demand for new single detached homes will progressively increase.

Multiple Starts: After bouncing back up last year, as a result of developments in large condominium construction sites in downtown Montréal, multiple starts will descend back to a level that is more in line with the demographic trends. In 2015, growth will be held back by relatively high levels of supply from units under construction and competition from the resale market. Starts of multiple units will lie within a range of 22,500 to 25,500 units this year. In 2016, activity in the retirement home market segment will contribute to an increase in multi-unit starts. As a result, between 24,800 and 28,900 units are forecast for 2016.

Resales: Sales of existing homes recorded by Centris® should increase slightly this year and next, in line with employment growth. Between 68,000 and 75,000 transactions are thus expected this year. Following this increase, slightly more robust labour markets will shift the forecast range next year. Thus, between 68,500 and 76,000 sales are expected in 2016.

Prices: Despite relatively high supply levels in certain market segments, rising demand will lead to price growth during the forecast horizon. In this context, prices of resale homes will post growth ranging from -2.2 per cent to 5.3 per cent in 2015, and from -3.7 per cent to 8.4 per cent in 2016. As a result, the average price recorded by Centris® will range from $260,000 to $280,000 in 2015 and from $262,000 to $295,000 in 2016.

Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Mortgage rates		
1 Year	Q1 2015	2.97
	Change from Q1 2014	-0.17
	2014	3.14
	2015 (F)	2.30 to 3.50
	2016 (F)	2.40 to 4.00
5 Year	Q1 2015	4.76
	Change from Q1 2014	-0.40
	2014	4.88
	2015 (F)	4.00 to 5.50
	2016 (F)	4.20 to 6.20

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q1 2015 data

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q1 2015	-0.7	7.7	949.60	Q1 2015	171	41	130	739	232,968
	Q1 2014	2.0	6.6	981.75	Q1 2014	430	57	373	733	235,787
	Change[1]	-2.7	1.1	-3.3%	% Change	-60.2	-28.1	-65.1	0.8	-1.2
Montréal	Q1 2015	1.1	7.5	831.87	Q1 2015	2,148	317	1,831	9,687	328,992
	Q1 2014	0.0	7.9	827.98	Q1 2014	3,585	393	3,192	9,582	320,220
	Change[1]	1.1	-0.4	0.5%	% Change	-40.1	-19.3	-42.6	1.1	2.7
Québec	Q1 2015	-2.3	5.3	836.60	Q1 2015	858	121	737	1,945	259,091
	Q1 2014	3.0	4.6	841.80	Q1 2014	526	122	404	1,846	258,431
	Change[1]	-5.3	0.7	-0.6%	% Change	63.1	-0.8	82.4	5.4	0.3
Saguenay	Q1 2015	7.7	8.1	812.11	Q1 2015	42	22	20	286	179,080
	Q1 2014	-4.8	9.6	794.93	Q1 2014	90	19	71	293	182,073
	Change[1]	12.6	-1.5	2.2%	% Change	-53.3	15.8	-71.8	-2.4	-1.6
Sherbrooke	Q1 2015	1.4	7.4	787.49	Q1 2015	233	29	204	451	218,990
	Q1 2014	1.7	7.6	756.00	Q1 2014	215	37	178	470	215,345
	Change[1]	-0.3	-0.2	4.2%	% Change	8.4	-21.6	14.6	-4.0	1.7
Trois Rivières	Q1 2015	3.7	6.1	771.99	Q1 2015	48	10	38	316	158,594
	Q1 2014	3.0	8.2	766.15	Q1 2014	137	13	124	331	159,640
	Change[1]	0.8	-2.1	0.8%	% Change	-65.0	-23.1	-69.4	-4.5	-0.7
Province of Quebec	March 15	0.8	7.5	813.50	Q1 2015	4,474	1,010	3,464	18,893	267,784
	March 14	0.5	7.7	812.10	Q1 2014	6,420	1,397	5,023	18,365	263,543
	Change[1]	0.2	-0.2	0.2%	% Change	-30.3	-27.7	-31.0	2.9	1.6
Canada[2]	March 15	0.8	6.8	908.74	Q1 2015	35,175	10,266	24,909	100,970	428,178
	March 14	1.0	7.0	891.65	Q1 2014	33,923	11,217	22,706	96,701	399,970
	Change[1]	-0.2	-0.2	1.9%	% Change	3.7	-8.5	9.7	4.4	7.1

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).

The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)	2010	2011	2012	2013	2014	2015(F)	2016(F)
Housing Starts:							
Single	19,549	16,554	16,059	13,144	11,227	11,400	13,300
%	11.5	-15.3	-3.0	-18.2	-14.6	1.5	16.7
Multiple	31,814	31,833	31,308	24,614	27,583	24,500	27,500
%	23.0	0.1	-1.6	-21.4	12.1	-11.2	12.2
Total	51,363	48,387	47,367	37,758	38,810	35,900	40,800
%	18.3	-5.8	-2.1	-20.3	2.8	-7.5	13.6
Existing Home Markets:							
Centris® Sales	80,027	77,164	77,373	71,198	70,646	72,400	73,400
%	1.2	-3.6	0.3	-8.0	-0.8	2.5	1.4
Centris® Average Price	241,455	252,144	260,501	262,443	265,760	272,200	277,500
%	7.1	4.4	3.3	0.7	1.3	2.4	1.9

Quebec Housing Market Outlook (units and percentage change)	2015Q1	2015Q2(F)	2015Q3(F)	2015Q4(F)	2016Q1(F)	2016Q2(F)	2016Q3(F)	2016Q4(F)
Housing Starts:								
Single	8,231	11,000	13,000	13,500	13,500	13,500	13,250	13,000
%	-22.6	33.6	18.2	3.8	0.0	0.0	-1.9	-1.9
Multiple	19,921	25,000	26,000	27,000	27,000	27,500	27,500	28,000
%	-30.1	25.5	4.0	3.8	0.0	1.9	0.0	1.8
Total	28,152	36,000	39,000	40,500	40,500	41,000	40,750	41,000
%	-28.0	27.9	8.3	3.8	0.0	1.2	-0.6	0.6
Existing Home Markets:								
Centris® Sales	71,404	72,500	72,800	73,000	73,300	73,500	73,500	73,500
%	-1.1	1.5	0.4	0.3	0.4	0.3	0.0	0.0
Centris® Average Price	272,763	270,000	272,000	274,000	276,000	277,500	278,000	278,500
%	-0.8	-1.0	0.7	0.7	0.7	0.5	0.2	0.2

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2015. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges

	2015			2016		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec						
Housing Starts	35,900	37,300	33,000	40,800	42,800	36,700
Multiple	24,500	25,500	22,500	27,500	28,900	24,800
Single	11,400	11,900	10,500	13,300	14,000	12,000
Centris® Sales	72,400	75,000	68,000	73,400	76,000	68,500
Centris® Average Price ($)	272,200	280,000	260,000	277,500	295,000	262,000
Canada						
Housing Starts	181,618	188,580	166,540	181,800	190,830	162,840
Multiple	109,900	114,330	100,630	110,400	115,800	98,510
Single	71,700	74,480	65,900	71,400	75,070	64,350
MLS® Sales	475,400	494,500	437,100	469,000	491,300	424,500
MLS® Average Price ($)	422,129	439,589	402,139	428,325	457,200	398,191

Source : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2014	2015(F)*	% chg (2014/ 2015)	2016(F)*	% chg (2015/ 2016)	YTD 2015*	YTD 2014*	% chg (2014/ 2015)
Gatineau	Single-Detached	479	450	-6.1	425	-5.6	41	57	-28.1
	Multiple	1,424	1,350	-5.2	1,300	-3.7	130	373	-65.1
	Total	1,903	1,800	-5.4	1,725	-4.2	171	430	-60.2
Montréal	Single-Detached	2,677	2,500	-6.6	2,600	4.0	317	393	-19.3
	Multiple	15,995	13,600	-15.0	14,000	2.9	1,831	3,192	-42.6
	Total	18,672	16,100	-13.8	16,600	3.1	2,148	3,585	-40.1
Québec	Single-Detached	887	850	-4.2	800	-5.9	121	122	-0.8
	Multiple	3,562	3,400	-4.5	2,800	-17.6	737	404	82.4
	Total	4,449	4,250	-4.5	3,600	-15.3	858	526	63.1
Saguenay	Single-Detached	268	275	2.6	275	0.0	22	19	15.8
	Multiple	404	275	-31.9	275	0.0	20	71	-71.8
	Total	672	550	-18.2	550	0.0	42	90	-53.3
Sherbrooke	Single-Detached	369	300	-18.7	275	-8.3	29	37	-21.6
	Multiple	759	850	12.0	800	-5.9	204	178	14.6
	Total	1,128	1,150	2.0	1,075	-6.5	233	215	8.4
Trois-Rivières	Single-Detached	239	230	-3.8	225	-2.2	10	13	-23.1
	Multiple	704	570	-19.0	525	-7.9	38	124	-69.4
	Total	943	800	-15.2	750	-6.3	48	137	-65.0

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - March

Quebec Region Housing Forecast - Resale Market

		2014	2015(F)*	% chg (2014/2015)	2016(F)*	% chg (2015/2016)	YTD 2014**	YTD 2015**	% chg (/)
Gatineau	Centris® Sales[1]	3,338	3,450	3.4	3,600	4.3	733	739	0.8
	Centris® Avg. Price[1]	240,758	238,300	-1.0	239,500	0.5	235,787	232,968	-1.2
Montréal	Centris® Sales[1]	35,764	36,600	2.3	37,600	2.7	9,582	9,687	1.1
	Centris® Avg. Price[1]	331,081	338,000	2.1	345,500	2.2	320,220	328,992	2.7
Québec	Centris® Sales[1]	6,472	6,700	3.5	6,950	3.7	1,846	1,945	5.4
	Centris® Avg. Price[1]	264,536	265,800	0.5	269,700	1.5	258,431	259,091	0.3
Saguenay	Centris® Sales[1]	1,144	1,100	-3.8	1,200	9.1	293	286	-2.4
	Centris® Avg. Price[1]	189,724	185,900	-2.0	182,200	-2.0	182,073	179,080	-1.6
Sherbrooke	Centris® Sales[1]	1,650	1,725	4.5	1,800	4.3	470	451	-4.0
	Centris® Avg. Price[1]	222,204	223,000	0.4	227,000	1.8	215,345	218,990	1.7
Trois-Rivières	Centris® Sales[1]	1,119	1,100	-1.7	1,050	-4.5	331	316	-4.5
	Centris® Avg. Price[1]	163,550	166,000	1.5	168,000	1.2	159,640	158,594	-0.7

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2014-2015
[1] Source for the CMA's : Centris® Statistics
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.
** YTD = January - March

Quebec Region Housing Forecast - Rental Market						
	Vacancy Rate			Average Rent 2-Bedroom Units		
	Oct. 2014	Oct. 2015(P)	Oct. 2016(P)	Oct. 2014	Oct. 2015(P)	Oct. 2016(P)
Gatineau	6.5	6.3	6.1	750	755	760
Montréal	3.4	3.6	3.7	739	750	760
Québec	3.1	3.5	3.8	775	790	805
Saguenay	4.2	4.5	4.5	595	605	615
Sherbrooke	5.4	5.6	5.6	604	620	635
Trois-Rivières	5.3	5.1	5.0	568	575	580
Canada	2.8	3.0	3.1	955	969	983

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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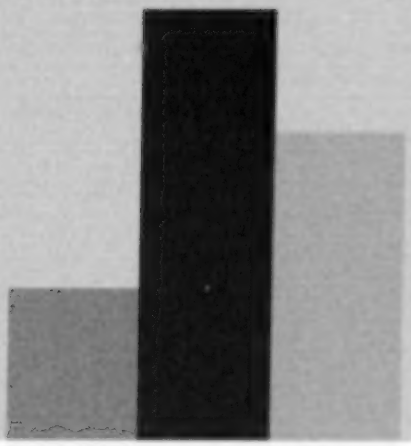

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